



**CHEROKEE NATION™**  
Businesses

**Executive and Finance Report**  
**Consolidated Financial Information**  
**June 2016**

# Cherokee Nation Businesses

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## Executive and Finance Report

June 2016

### Budget Highlights

- June 2016 CNB consolidated net income of \$10.1 million was \$736,000 favorable to budget and \$1.9 million higher than prior year. Consolidated revenue was \$86.6 million, which was \$4.6 million favorable to budget and exceeded the previous year by \$11.2 million.
- CNE EBITDA of \$16.9 million was favorable to budget by \$665,000. The favorable variance was mainly associated with lower employee costs as well as lower operating expenses. Total revenue for June 2016 was \$900,000 below budget and \$2.0 million higher than last year.
- Engineering & Manufacturing EBITDA was \$398,000 favorable to budget. The favorable variance was due to the shipment of twenty Sikorsky S-300 console assemblies.
- CNB Parent EBITDA was \$343,000 favorable to budget. The favorable variance was primarily due to lower than expected employee costs due to lower medical benefit expense for Plan 2.
- Consulting Sector EBITDA of \$1.0 million was \$263,000 favorable to budget. The favorable variance was due to higher than expected gross margins on two of CNTS's projects.
- Health Sciences and Technology Sector EBITDA was \$370,000 and \$341,000, respectively, below budget due to lower margins on two CNHS projects, one CNA project and three CNT projects.
- Combined, EBITDA at all other entities were \$84,000 above budget.

### Capital Expenditures

June YTD capital expenditures were \$61.5 million for all entities.

- CNE: \$44.9 million
  - Expansion: \$34.8 million – Roland property improvements, Catoosa Hotel Lobby and Front Desk Renovation, Cherokee Springs Business Park, WRD renovation, Grove Casino, Tahlequah OP1 Rebuild, Tahlequah Casino
  - Strategic: \$5.9 million – IGT Advantage NexGen Kits, Surveillance Infrastructure Upgrade, Cisco switches, Cherokee Tower Renovation, Cenium Property Management System, WSS Pylon Sign, Drop/Count Intelligent Cash Box, Egame Equipment Purchases, WRD Waste Water System, Surveillance Nexsan Upgrade, Catoosa Video Distribution Upgrade
  - Maintenance - \$4.2 million – Casino 2 Improvements, Fleet Vehicles, Passenger Shuttle, IT Equipment, Poker and Table Games equipment, Signage, Buffet repairs, Art Procurement, Fork Lift, Fairway Mowers, Chemical spray unit, Document shredder, Guest room phones, Transformer
- CPM: \$8.3 million – Health clinic construction, Housing & 4<sup>th</sup> Street Property
- CNCR: \$4.0 million – New Home Construction Program
- CNB: \$3.9 million – IT Maintenance & Upgrades, Smithsonian Institution – 5 Year Capital Grant, CN Veteran's Memorial, Deltek ERP System, PeopleSoft HCM Bundle, Cherokee National Treasures Book

### Financing

- CNB had no outstanding borrowings as of June 30, 2016.

# Cherokee Nation Entertainment

## Executive and Finance Report

June 2016

### Budget Highlights

#### CNE

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$50,209	\$51,109	(\$900)	-2%
• Operating Expenses	Month -	\$33,296	\$34,860	\$1,565	4%
• EBITDA	Month -	\$16,913	\$16,248	\$665	4%

### Operating Highlights

- CNE EBITDA of \$16.9 million in June was \$665,000 favorable to budget.
- Total revenue of \$50.2 million was \$900,000 unfavorable to budget. This was the result of an unfavorable variance in gaming revenue at most of the smaller properties.
- Total operating expense of \$33.3 million was \$1.6 million favorable to budget. The favorable variance was due to lower cost of goods sold and gaming related expenses. Lower cost of goods sold resulted from lower fuel costs associated with the discontinuation of fuel sales, which was budgeted to occur earlier this fiscal year. The gaming related expenses were lower due to lower than anticipated revenue.
- CNE is building a new 39,000 square foot casino in Grove, Oklahoma. The destination will feature 400 electronic games, restaurant, full-service bar, live music venue, dance floor and complimentary non-alcoholic drinks.
- The South Coffeyville Casino opened February 16<sup>th</sup>, 2015. The 17,000 square foot facility offers 300 games. The South Coffeyville casino opened ahead of the budgeted opening date of April 1<sup>st</sup>.
- CNB has agreed to lease property adjacent to the Hard Rock Casino to Woodmont Outlets, which plans to invest \$80 million into premium outlet shops to be called, "The Cherokee Outlets."
- CNB also announced plans for the Cherokee Springs Plaza, which will include retail, restaurants, auto sales lots, office space, convention space, two hotels, and a casino adjacent to the Cherokee Springs golf course in Tahlequah.
- The Creek Casino in Tulsa is planning a \$335 million expansion including a 500 room hotel tower, new casino and restaurant, pool bar, theater and event center, with an expected completion date of late 2016.

### Capital Expenditure Highlights – Year to Date

- Expansion related costs for Roland, Cherokee Springs Business Park, OP1 Rebuild, Grove and Tahlequah, Catoosa Hotel Lobby and Front Desk Renovations, WRD Renovations – \$34.7 million
- IGT Advantage NexGen Kits - \$1.4 million
- Surveillance Nexsan Upgrade - \$645,000
- Surveillance Infrastructure Upgrade - \$905,000
- Casino 2 Renovations - \$274,000
- WSS Pylon Sign Upgrade - \$247,000

# Diversified Businesses

## Executive and Finance Report

June 2016

### EBITDA Budget Highlights

#### Diversified Businesses EBITDA

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• <b>Engineering &amp; Manufacturing</b>	Month -	\$60	(\$338)	\$398	118%
• <b>Logistics &amp; Distribution</b>	Month -	\$282	\$123	\$159	129%
• <b>Technology</b>	Month -	\$87	\$427	(\$341)	-80%
• <b>Consulting</b>	Month -	\$1,027	\$764	\$263	34%
• <b>Construction</b>	Month -	\$55	\$170	(\$115)	-67%
• <b>Health Sciences</b>	Month -	(\$112)	\$258	(\$370)	-143%
• <b>Aerospace Products S.E.*</b>	Month -	(\$18)	\$38	(\$56)	-147%
• <b>CCRC*</b>	Month -	\$118	\$126	(\$8)	-6%

\*APSE and CCRC are reported on net income instead of EBITDA as they are partially owned subsidiaries

### Operating Highlights

- Beginning in FY16, the former portfolios were re-organized into the following six sectors.
- Engineering & Manufacturing** Sector EBITDA loss was \$60,000 and \$398,000 favorable to budget. The gross profit margin of 27.0% was 8.4 percentage points higher than budget and 15.0 percentage points higher than prior year. The margin increase from budget was due to higher profit margin on product mix and higher labor efficiencies.
- Logistics & Distribution** Sector EBITDA of \$282,000 was \$159,000 favorable to budget. The favorable EBITDA variance was primarily due to increased deliveries on the Telecom SE Project and lower operating expenses. The gross profit margin of 4.0% was 2.3 percentage points lower than budget and 2.5 percentage points lower than the prior year due to a change in product mix.
- Technology** Sector EBITDA was \$87,000 compared to a budget of \$427,000, resulting in an unfavorable variance of \$341,000. The unfavorable EBITDA for the month of June was primarily attributable to CNT's USDA APHIS, NOAA and Coat Guard projects as well as an increase in medical costs.
- Consulting** Sector EBITDA was \$1.0 million compared to a budget of \$764,000, resulting in a favorable variance of \$263,000. The 11.8% EBITDA margin was favorable compared to a budgeted EBITDA margin of 8.6%. The EBITDA margin was favorable compared to budget primarily due to higher than expected gross margins realized on CNTS's GEITA and AFHSC projects.
- Construction** Sector EBITDA of \$55,000 was \$115,000 unfavorable to a budget of \$170,000. The unfavorable EBITDA variance was primarily due to higher than expected bid and proposal costs.

# Diversified Businesses (con't)

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## Executive and Finance Report

### June 2016

- **Health Sciences** Sector EBITDA loss of \$112,000 was \$370,000 unfavorable compared to a budget of \$258,000. The unfavorable variance was due to lower than expected margins on CNHS's and CNA's DHA Management projects.
- **APSE** net loss was \$18,000 in June 2016 resulting in an unfavorable variance to budget of \$56,000. Revenue was \$579,000 unfavorable to budget due to delays in DLA kit shipments, lower general sales and Boeing's Cecil Filed program implementation.
- **CCRC** net income of \$118,000 was \$8,000 unfavorable to budget. EBITDA and gross margins were higher than budget due to favorable profitability on the BIA Navajo project.

COUNCIL OF THE CHEROKEE NATION  
EXECUTIVE & FINANCE COMMITTEE REPORT

**Group:** Financial Resources      **Month/Year of Report:** July 2016

**Treasurer:** Lacey Horn      **Phone:** 207-3902      **E-mail:** [lacey-horn@cherokee.org](mailto:lacey-horn@cherokee.org)

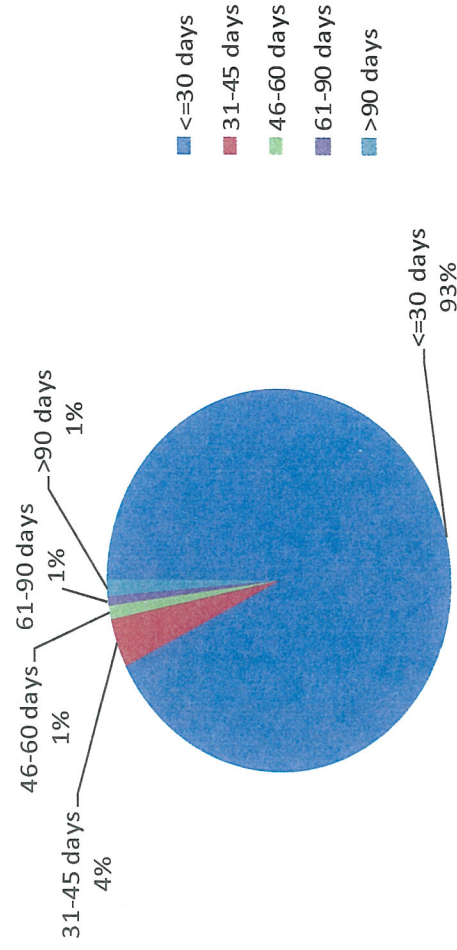
- I. Budget Highlights – through June
  - a.) Financial Resources – 75% spent
  - b.) Treasurer – 53% spent
  - c.) IIM – 77% spent
  - d.) Acquisition Management – 72% spent
  - e.) Records Management – 68% spent
  - f.) Support Services – 82% spent
  - g.) Grants Management - 62% spent
  - h.) Grant Development – 74%
  - i.) Fleet Management – 53%
  - j.) Employee Performance Incentive – 32% spent
- II. Program Highlights
  - a.) Balance Scorecard Measures
    - 1. Complete FY15 Audit – 100% Complete
    - 2. Obtain Unmodified Audit Opinion – 100% complete
    - 3. No Material Weaknesses on Single Audit – 100% complete
    - 4. Obtain GFOA Award for FY14 CAFR – 100% complete
    - 5. Reports completed & submitted by due dates – 99% complete for reports due 07/31/2016
  - b.) Accomplishments
    - 1. Staff attended Self Governance Advisory Committee Meeting
    - 2. Staff attended Inforum Conference
    - 3. FY 2017 Comprehensive Budgets delivered July 29<sup>th</sup>
    - 4. Staff participated in various grant webinars/trainings/conferences
  - c.) Upcoming Events
    - 1. FY 2017 Budget Hearings – August 22<sup>nd</sup> – 24<sup>th</sup>
    - 2. Staff will participate in various grant webinars/trainings/conferences planned for the month of August

COUNCIL OF THE CHEROKEE NATION  
EXECUTIVE & FINANCE COMMITTEE REPORT

<b>Cherokee Nation Acquisition Management Year-To-Date Report Over \$5,000 Transactions October 1, 2015 through September 30, 2016</b>		<b>% of sub-total - TERO vendor submitted Bid</b>
Award to TERO Vendor	\$ 23,304,014.05	97.37%
Award to non-TERO Vendor	\$ 629,789.73	2.63%
<b>Sub-total bids with a TERO vendor participating</b>	<b>\$ 23,933,803.78</b>	<b>100.0%</b>
Bid - no bids submitted by TERO Vendors	\$ 3,775,089.29	
October 1, 2015 through June 30, 2016		

COUNCIL OF THE CHEROKEE NATION  
 EXECUTIVE & FINANCE COMMITTEE REPORT

### Timeliness of Paid Invoices



Row Labels	APP-INVOICE-2	APP-TRAN-PMT-AMT-7
<=30 days	48,514	57,141,949.46
31-45 days	2,157	6,970,587.06
46-60 days	594	1,655,334.14
61-90 days	427	1,446,162.16
>90 days	731	2,000,457.71
<b>Grand Total</b>	<b>52,423</b>	<b>69,214,490.53</b>



Group: Career Services-Executive and Finance Month/Year of Report: July, 2016

Executive Director: Diane Kelley Phone: 453-5628 Email: Diane-kelley@cherokee.org

**I. Budget Highlights – Please refer to Monthly Financial Report**

None

**II. Program Highlights**

**a. Balanced Scorecard Measures**

<i>Activity</i>	<i>June</i>	<i>YTD</i>	<i>Goal</i>	<i>% of Goal</i>
<i>HSE Completions</i> – includes individuals completing and receiving a High School Equivalency or High School Diploma from Talking Leaves Job Corps and Career Literacy.	23	162	175	92.6%
<i>Training Completions</i> – includes individuals receiving a nationally-recognized certification, credential, or degree while enrolled in one of 11 different vocational training programs.	57	507	550	92.2%
<i>Employment Completions</i> – includes individuals who completed a Work Experience or TERO OJT assignment.	16	192	500	38.4%
<i>Unsubsidized Placement</i> – includes all individuals who entered unsubsidized employment (they got a job!) while enrolled in one of 15 different programs, both employment and vocational.	84	899	750	119.9%
<i>Retention</i> – includes individuals who were retained in their unsubsidized employment through assistance from a Career Services Program.	35	306	300	102.0%
<i>Career Skills Training</i> – includes individuals who completed the Life/Employment Skills Training.	0	161	400	40.3%
<i>WorkKey Credentialing</i> – includes individuals who received a bronze, silver, gold, or platinum WorkKeys credential.	20	61	250	24.4%
<i>Job Bank</i> – includes the number of new individuals entering the TERO Job Bank.	40	361	400	90.3%

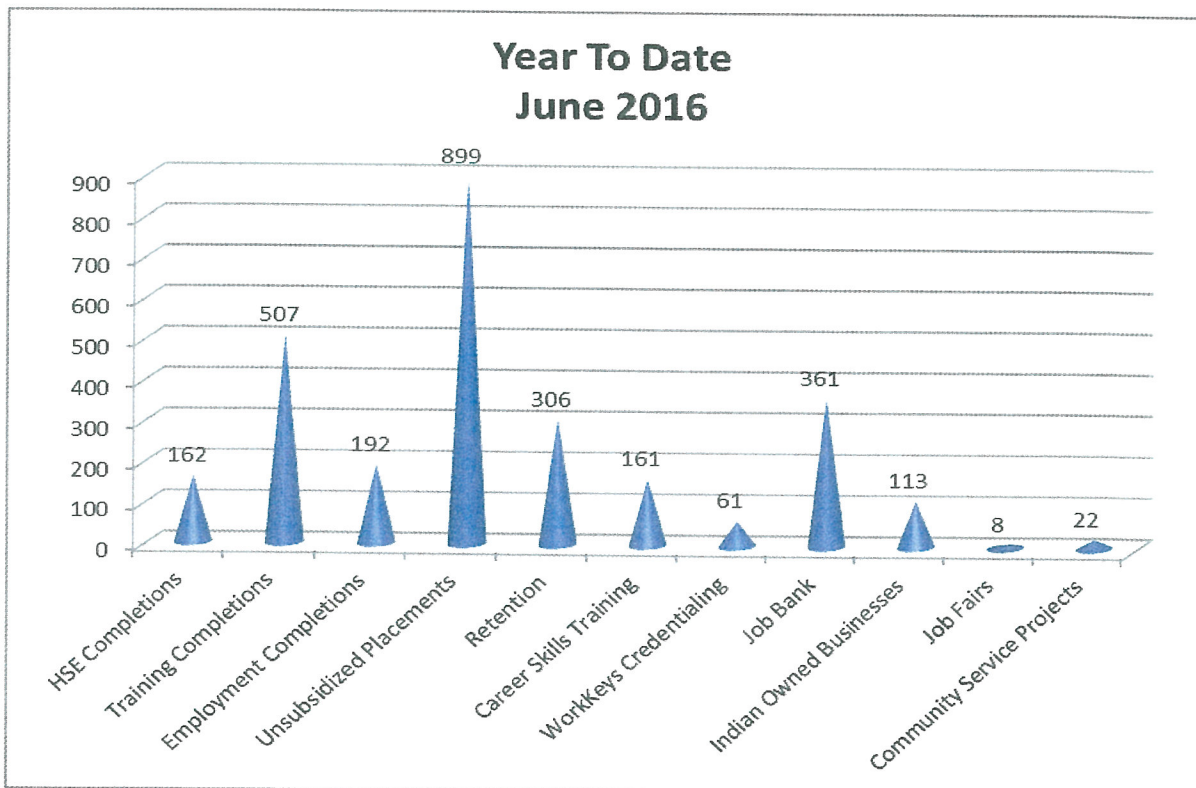
<i>Indian Owned Businesses</i> – includes the number of businesses newly certified as an Indian Owned Business.	19	113	200	56.5%
<i>Job Fairs</i> – includes the number of Job Fairs held by Career Services.	1	8	25	32.0%
<i>Community Service Projects</i> – this is the number of Community Service Projects completed by youth, both through the Summer Youth Employment Program and Talking Leaves Job Corps.	3	22	50	44.0%

**b. Accomplishments**

1. Day Training and Work Experience participants are working with the Housing Authority of the Cherokee Nation.
2. Day Training had 16 participants enter unsubsidized employment during the month of June; five with Cherokee Nation, five with CNB/CNI, and six outside Cherokee Nation.

**c. Initiatives**

1. Staff training for all the Support staff will take place August 2 – 4.
2. Staff will be attending the National Indian and Native American Employment and Training/477 Conference during the week of August 22<sup>nd</sup>.



# Commerce Group

*Securing and enhancing the financial well-being of the Cherokee people, businesses and communities*

Anna Knight, Executive Director  
 918-453-5532  
 anna-knight@cherokee.org

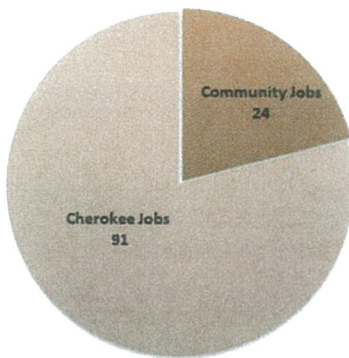
## Economic Impact

**Invested \$8,986,085 in 201 Small Businesses  
 Since 2010**

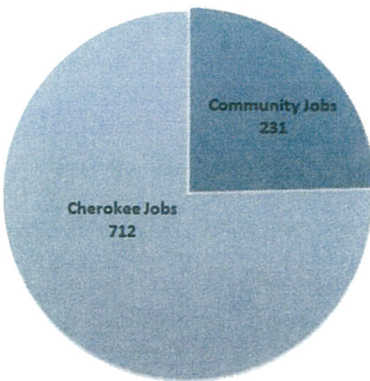
### Community Jobs Impacted

*Private sector jobs created or retained by  
 small business lending*

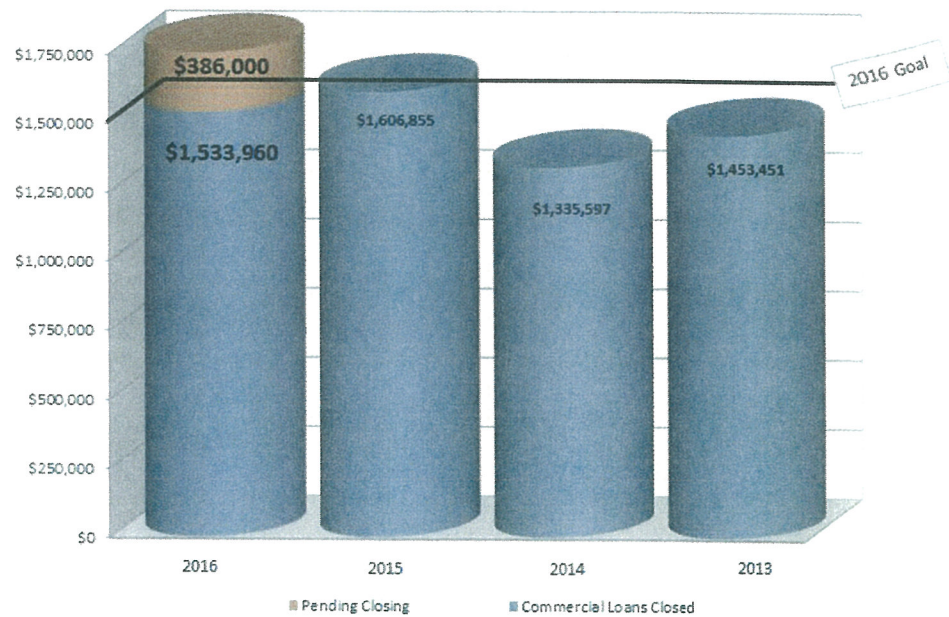
#### Jobs Created FY 2016



#### Jobs Created FY10-16



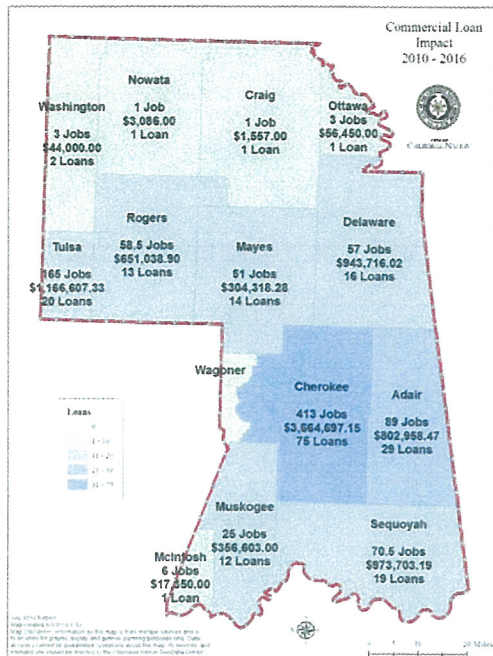
### Dollars Invested in the Local Economy Through Small Business Lending



### Lending Assets

Available Commercial Capital	\$924,957
Available Consumer Capital	\$1,287,059
Approved Grants Pending Receipt	\$480,129
<b>Total Available Capital</b>	<b>\$2,692,145</b>
Outstanding Commercial Loans	\$6,141,577
Outstanding Consumer Loans	\$1,362,749
<b>Total Outstanding Loans</b>	<b>\$7,504,326</b>

## County Commercial Lending Impact 2010 through 2016



## Small Business Loans Closed July 2016

Community	Loan Purpose	Project Costs	Owner Equity	Jobs
Tahlequah	Purchase Cattle	\$116,250	88%	1
Salina	Equipment Repair	\$106,000	62%	2

**Seeking Cherokee business owners interested in one-on-one coaching** in the areas of inventory management, executive coaching, marketing and human resources. Please refer anyone interested to Stephen Highers at 918-207-3955 or [stephen-highers@cherokee.org](mailto:stephen-highers@cherokee.org).

**New coaching curriculum, Growth Wheel**, has been implemented. Introductory classes have been held throughout the CN and were very well received by attendees. This curriculum will also be used in our one-on-one coaching sessions and will provide us with better information on client goals and help us better assist clients in reaching their goals.

## Commercial Lending Pipeline

(Commercial requests submitted; varying stages completion and/or processing)

Community	County	Business Type	Startup or Expansion
Tahlequah	Cherokee	Restaurant – Service	New Business Start-up
Westville	Adair	Agriculture – Farms	New Business Start-up
Muskogee	Muskogee	Manufacturing	New Business Start-up
Oaks	Adair	Agriculture – Farms	Expansion
Tahlequah	Cherokee	Purchase – Service	New Business Start-up
Tulsa	Tulsa	Auto Repair – Service	Consolidation
Tahlequah	Cherokee	Construction – Roofing	New Business Start-up
Watts	Adair	Retail – Service	New Business Start-up

We were **awarded the USDA Rural Business Development Grant** to make improvements in the Jay Industrial Park, including a sewer extension, additional lighting and curbing work. The sewer extension made possible a new business in the park that will create up to 200 jobs over the next couple of years.

**USDA Strengthening Economies Together regional planning meetings** have been held in Stilwell, Tahlequah and Jay. Two additional planning meetings will be held to develop the Adair, Cherokee, Delaware and Sequoyah Counties Regional Plan. Industries being targeted are Healthcare, Manufacturing and Agribusiness.

## USDA SET Planning Meetings

Community	Location	Date
Stilwell	ICTC	August 19

**NORA Regional Summit is set for October 25, 2016.** The theme this year is Leadership and the Summit will kick off NORA's new Regional Leadership Academy. The regional collaboration awards will be replaced with scholarship awards for current NSU and RSU students with the most innovative approaches for engaging the business community into public education. Please contact Anna Knight if you wish to register for the summit. Regional attendance at this event averages 300.

Kawi Café Entrepreneur Program	
Total Participants	48
Food Industry Careers	11
Business Start Up	4
Regular Employment	10
Recent Graduates, not yet tracked	9

Commerce Coach Brian makes field meet with and

Entrepreneur Community Field Days		
Community	Address	Dates
Pryor	One American Way Building 2945 Hwy 69A	1st Tuesday Each Month
Bartlesville	Rogers State University 401 S Dewey - Room 808	2nd Thursday Each Month
Sallisaw	Cherokee Nation 100 East Choctaw	3rd Tuesday Each Month
Tulsa	Cherokee Nation Career Services 10837 E Marshall St., Ste. 101	3rd Thursday Each Month
Claremore	HACN 23205 S Hwy 66	4th Thursday Each Month

Business Wagnon visits to clients

**entrepreneurs.** He can travel to entrepreneurs and farmers; he can be reached at [brian-wagnon@cherokee.org](mailto:brian-wagnon@cherokee.org) or 918-506-9168. He also holds regular community field days, see schedule below:

The Small Business Assistance Center partners with several groups in our region to provide entrepreneurial training opportunities, which leverages everyone's resources and targets a larger market. Year to date, **entrepreneurial development and business workshops have been attended by 5,718 people**, 100 percent of whom found the training useful to building the capacity of their businesses.

Business/Entrepreneur Workshops			
Date	Location	Time	Workshop
August 4	Tulsa	6:30 pm	SCORE, Simple Steps for Starting Your Business

<b>August 15</b>	Muskogee	8:00 am	ICTC, Microsoft PowerPoint 2010
<b>August 16</b>	OKC	11:00 am	BBB, Marketing with Search Engine Optimization
<b>August 23</b>	Muskogee	8:00 am	ICTC, English for Spanish Speaking Employees
<b>August 25</b>	Tahlequah	10:00 am	REI, How To Set Up Your Facebook Bus Page

## Artists and Community Tourism – Economic Development

*Increasing the business capacity of our Artists and tourism capacity of our communities*

The Cherokee Arts Center provides teaching space and specialized equipment for artists to increase their revenues. Year to date, **1,262 people have attended 251 artist taught classes** and the equipment has been used 953 times by 835 artists.

Cherokee Arts Center		
Registration is necessary and all classes are fee based, paid directly to artists		
Date	Time	Class
Every Tuesday & Thursday	6:30 pm	Silversmithing Class
Every Wednesday	6:00 pm	Loom Weaving
Every Saturday	1:00 pm	Loom Weaving
Every Saturday	10:00-1:00 pm	Watercolor Workshop
Every Friday	7:00-9:00 pm	Life Drawing
Every Monday & Wednesday	6:30-8:30 pm	Shell Carving
August 4	11:00 am-2:00 pm	Twining/Finger Weaving Class
August 9	6:30 pm-9:00 pm	SEIAA Meeting
August 20	2:00 pm	Tahlequah Writers Group
August 20	4:00 pm	Oklahoma Playwrights
September	TBD	CNH Art Show - Armory

Year to date, **5,238 people** have taken advantage of the **Cherokee Arts Center** this includes **3,113 visitors to the Spider Gallery**.

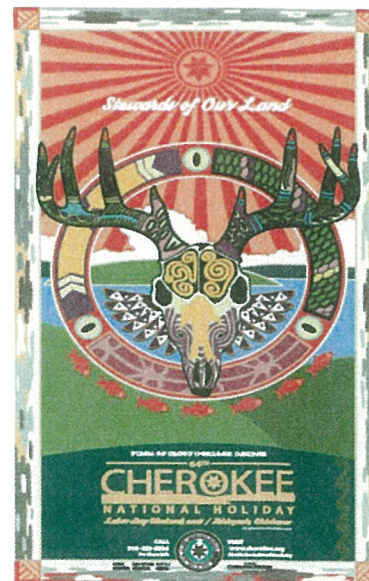
The **Spider Gallery** currently represents **112 artists**. Year to date sales for the Spider Gallery are \$44,345.16. **Artists have earned \$110,633.59** through Cherokee Arts Center and Spider Gallery activities.

### Cherokee National Holiday Community Traditional Games 2016

WEB Community Building, Briggs

August 20

*Community Traditional Game winners will compete in the championship games at the Cherokee National Holiday Labor Day Weekend.*



**Group: Certified Indian Owned Businesses (Career and Commerce Services)**

**Month/Year of Report: August 2016 (Month Ending June – FY 2016)**

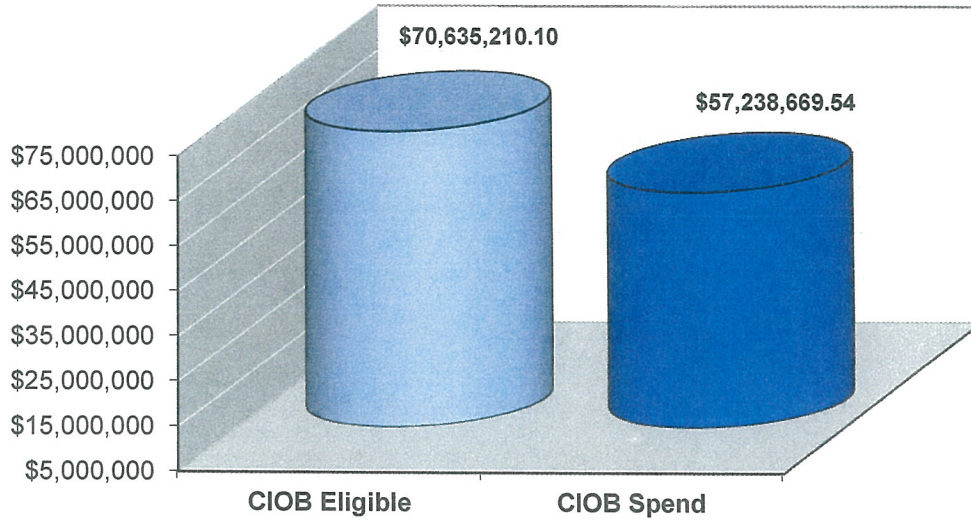
**Program Highlights**

**a. Balanced Scorecard Measures**

<b>Objective</b>	<b>Metric</b>	<b>2016 Goal</b>	<b>Year to Date Achievement Notes/Comments</b>
Effective Business Workshop Training	# Certified Indian-Owned Business Attendees and % indicating usefulness	300/100%	8 /100% 3,207 attending events – TERO Vendor Fair 350 and Entrepreneurship Days 165
Increase Certified Indian-Owned Business Procurement Awards	% Certified Indian-Owned Business Procurement Awards	80%	81.03% Business Entities eligible procurement \$'s awarded to Certified Indian Owned vendors <ul style="list-style-type: none"> <li>• CNE – 73.36%</li> <li>• CN Government - 97.37 %</li> <li>• Health Entities – 100%</li> <li>• CNI – 49.93%</li> <li>• Waste Management - 0%</li> </ul>
Increase Cherokee Citizens employed	% Cherokee Citizens (verified)	Entity CNE – CNB - CN – 82.9% Health - CNI – CRC – Aerospace -	Business Entities - 62.71% <ul style="list-style-type: none"> <li>• CNE (CNE, CHL, WRD, CNSS) 70.08%</li> <li>• CNB (CNB, CNT, CSG) 65.27% (does not include service contract employees)</li> <li>• CNI 83.72% (does not include service contract employees)</li> <li>• Service Contract Employees (NP) 2.84% (CNB entities)</li> <li>• HACN 95.10%</li> <li>• CN Government 82.29% (does not include IPA/MOA)</li> <li>• Health Entities 52.98%</li> <li>• CRC 18.92% (not wholly owned by CN)</li> <li>• Aerospace 0% (not wholly owned by CN)</li> <li>• Waste Management 100%</li> </ul>
Increase Indian-Owned Business Certifications	# Newly Certified Indian-Owned Businesses	150	113
Effective One on One Training for Certified Indian Owned-Businesses	# of businesses receiving assistance/% finding useful	200/95%	2 /100%
Certified Indian-Owned Business Receiving Financial Assistance	% Certified Indian-Owned Business Loans in Portfolio	85%	22.27% - based on \$'s loaned 15.63%- based on number of loans made
Effective Usage of Fees Collected	# Trained	100	Information not available
Effective Monitor of Work Sites – Construction and Housing	# Monitoring Visits	90%	100% - 1,469 sites monitored
Effective Monitor of Bid Openings	# and % Bid Openings Attended	100%	100% - 84 out of 84
Effective Resolution of Complaints – TERO and EEOC	% Complaints Resolved	100%	TERO: 1 complaints filed; 1 resolved, 2 pending EEOC: 3 complaints filed; 0 resolved, 3 pending

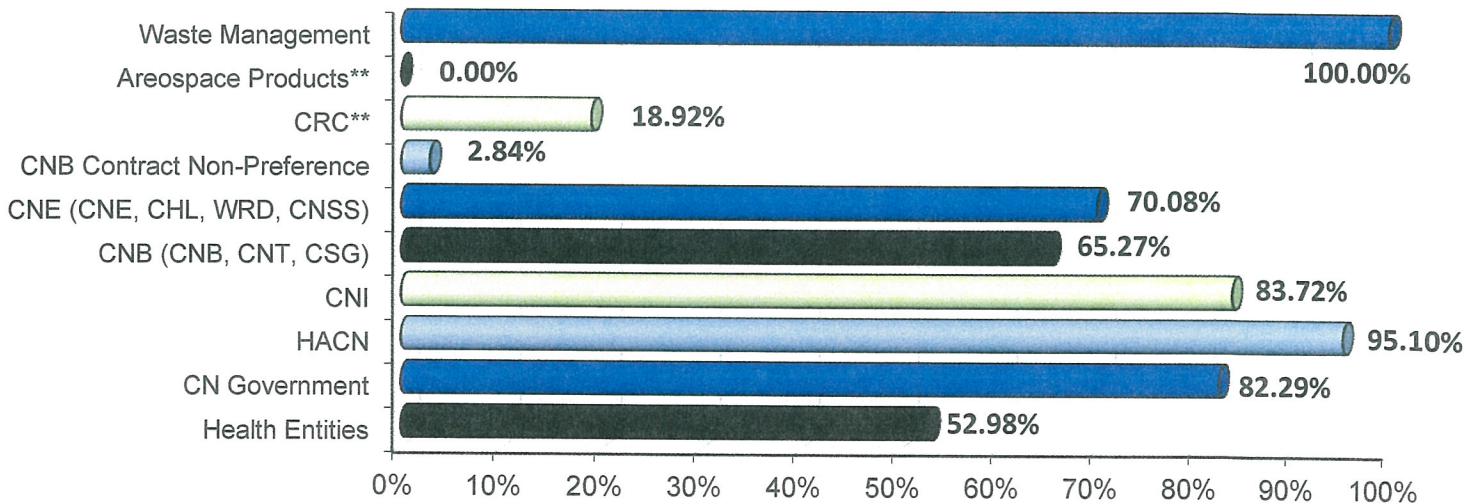


**81.03% of CIOB Eligible Procurement Opportunities were awarded to CIOBs**



\*\*Includes CN Government, CNE, CNI, and Health Entities

**62.71% of Employees are registered Cherokee Nation Citizens**



\*\*Companies majority, not wholly, owned